

1995

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# Measuring Employment and Unemployment

## Information Paper



Statistics ■

## NOTES

### INQUIRIES

For further information about the Labour Force Survey or the availability of labour force data products and services, contact Paul Fairweather on Canberra (06) 252 6565 or any ABS office.

### RELATED PUBLICATIONS

The principal labour force publications are:

*The Labour Force, Australia, Preliminary* (6202.0); issued monthly

*The Labour Force, Australia* (6203.0); issued monthly

*Labour Statistics, Australia* (6101.0); issued annually

*Directory of Labour Market and Social Survey Data* (1135.0)

Current publications produced by the ABS are listed in the *Catalogue of Publications and Products, Australia* (1101.0). The ABS also issues, on Tuesdays and Fridays, a *Release Advice* (1105.0) which lists publications to be released in the next few days. The Catalogue and Release Advice are available from any ABS office.

### UNPUBLISHED STATISTICS

The ABS can also make available information which is not published. This information is available on a number of media such as floppy disk, microfiche and customised reports. In general, a charge is made for providing unpublished information. Inquiries should be made to any ABS office.

W. McLennan

Australian Statistician

## THE LABOUR FORCE SURVEY

Each month, the Australian Bureau of Statistics releases estimates of the number of employed and unemployed persons amongst its extensive range of key economic data. This information is obtained from a monthly survey of households, called the Labour Force Survey.

The Labour Force Survey is based on separate samples of private dwellings and non-private dwellings (e.g. hotels and motels). About 0.5% of all households are selected each month.

### WHO IS ASKED?

For each resident of a selected dwelling who is aged 15 and over, information is obtained by trained interviewers. Members of the permanent defence forces, diplomatic and defence personnel from overseas countries, and overseas visitors to Australia are all excluded from the survey.

### INTERVIEW WEEK

Interviews are generally conducted during the two weeks beginning on the Monday between the 6th and 12th of each month. The information obtained relates to the week before the interview (the reference week).

### INFORMATION COLLECTED

The core information collected is the labour force category to which each person belongs. This depends on his/her activity (i.e. whether working, looking for work etc.) during the reference week.

For employed persons, information is collected about industry, occupation, hours worked and whether employed full time or part time. Part-time workers are asked whether they would prefer to work more hours. Persons who are not employed are asked whether they are looking for full-time or part-time work, and if so for how long they have been looking; and whether they could have started work in the reference week if a job had been found.

Socio-demographic information is also collected so that the labour force can be analysed by characteristics including: sex, age, marital and family status, geographic region, participation in school and tertiary education, birthplace and year of arrival in Australia.

As many labour market measures are subject to strong seasonal variations, seasonally adjusted estimates are provided for the main series each month along with the original (unadjusted) series. In addition, trend estimates are provided which remove any highly variable (non-seasonal) influences and thereby enable the underlying behaviour of series over time to be identified.

### SURVEY RESULTS

Preliminary estimates from the survey are released fourteen working days after interviewing is completed. The preliminary estimates of employment and unemployment (for Australia and each State/Territory) are released in *The Labour Force, Australia, Preliminary* (6202.0). More detailed information is included in the final publication *The Labour Force, Australia* (6203.0).

In addition to the preliminary and final publications, a range of material is available in the form of standard and special tabulations and microfiche. This material provides much greater levels of detail, for example, information for specified geographic regions within each State.

## SUPPLEMENTARY SURVEYS

As well as the core set of questions asked each month from which the employment and unemployment measures are derived, the ABS also includes in individual Labour Force Surveys some additional questions on selected labour market related topics. The results of these supplementary surveys are now first published in a separate section of the monthly publication *The Labour Force, Australia* (6203.0), within a few months of the survey being conducted. Information from these surveys may also be obtained in the form of standard data reports or as a special data service. During 1994 and 1995, the following supplementary surveys were conducted:

- Educational Attainment;
- Participation in Education;
- Transition from Education to Work;
- Labour Mobility;
- Employment Benefits;
- Weekly Earnings of Employees;
- Trade Union membership;
- Multiple Jobholding;
- Underemployed Persons;
- Labour Force Experience;
- Job Search Experience of Unemployed Persons;
- Successful and Unsuccessful Job Search Experience;
- Retirement and Retirement Intentions;
- Persons Not in the Labour Force; and
- Persons Who Left the Labour Force.

## THE AUSTRALIAN LABOUR FORCE FRAMEWORK

An understanding of the dynamic structure and characteristics of the labour market is assisted by having a labour force framework which is relevant to evolving socio-economic conditions and policy concerns. The data available from the monthly Labour Force Survey and its supplementary surveys supports the conceptual framework set out in Diagram 1. Such a framework enables issues such as underemployment, and the transition from education to work, to be analysed in depth.

The Australian Bureau of Statistics follows closely the international standards set out by the International Labour Organisation (ILO) for measuring employment and unemployment. The ILO periodically convenes the International Conference of Labour Statisticians (ICLS) to discuss and reach conclusions upon concepts and definitions and to ensure international comparability as far as possible. Australia is an active participant in ICLS meetings. The international standards relating to employment and unemployment are, to a large extent, those first adopted by the 8th ICLS in 1954.



## KEY DEFINITIONS

Information on the labour force concepts and definitions used by the ABS, including a glossary of terms, is provided each month in *The Labour Force, Australia* (6203.0). More detail can be found in *A Guide to Labour Statistics* (6102.0). Some of the key definitions are given below.

### LABOUR FORCE STATUS

This is the measure which classifies persons aged 15 and over according to whether they are employed, unemployed or not in the labour force.

### EMPLOYED

Employed persons are persons aged 15 and over who, during the reference week:

- worked for one hour or more for pay, profit, commission or payment in kind in a job or business, or on a farm; or
- worked for one hour or more without pay in a family business or on a farm (i.e. contributing family workers); or
- were employees who had a job but were not at work and were: on paid leave; on leave without pay for less than four weeks up to the end of the reference week; stood down without pay because of bad weather or plant breakdown at their place of employment for less than four weeks up to the end of the reference week; on strike or locked out; on workers' compensation and expected to be returning to their job; or receiving wages or salary while undertaking full-time study; or
- were employers, own account workers or contributing family workers who had a job, business or farm, but were not at work

### FULL-TIME WORKERS

Full-time workers are employed persons who usually work 35 hours or more a week (in all jobs) and others who, although usually working less than 35 hours a week, worked 35 hours or more during the reference week.

### PART-TIME WORKERS

Part-time workers are employed persons who usually work less than 35 hours a week and who did so during the reference week.

### UNEMPLOYED

Unemployed persons are persons aged 15 and over who were not employed during the reference week, and:

- had actively looked for full-time or part-time work at any time in the four weeks up to the end of the reference week and were:
  - \* available for work in the reference week, or would have been available except for temporary illness (i.e. lasting for less than four weeks to the end of the reference week); or
  - \* waiting to start a new job within four weeks from the end of the reference week and would have started in the reference week if the job had been available then; or
- were waiting to be called back to a full-time or part-time job from which they had been stood down without pay for less than four weeks up to the end of the reference week (including the whole of the reference week) for reasons other than bad weather or plant breakdown.

### NOT IN THE LABOUR FORCE

People who are neither employed nor unemployed, as defined, are considered to be not in the labour force.

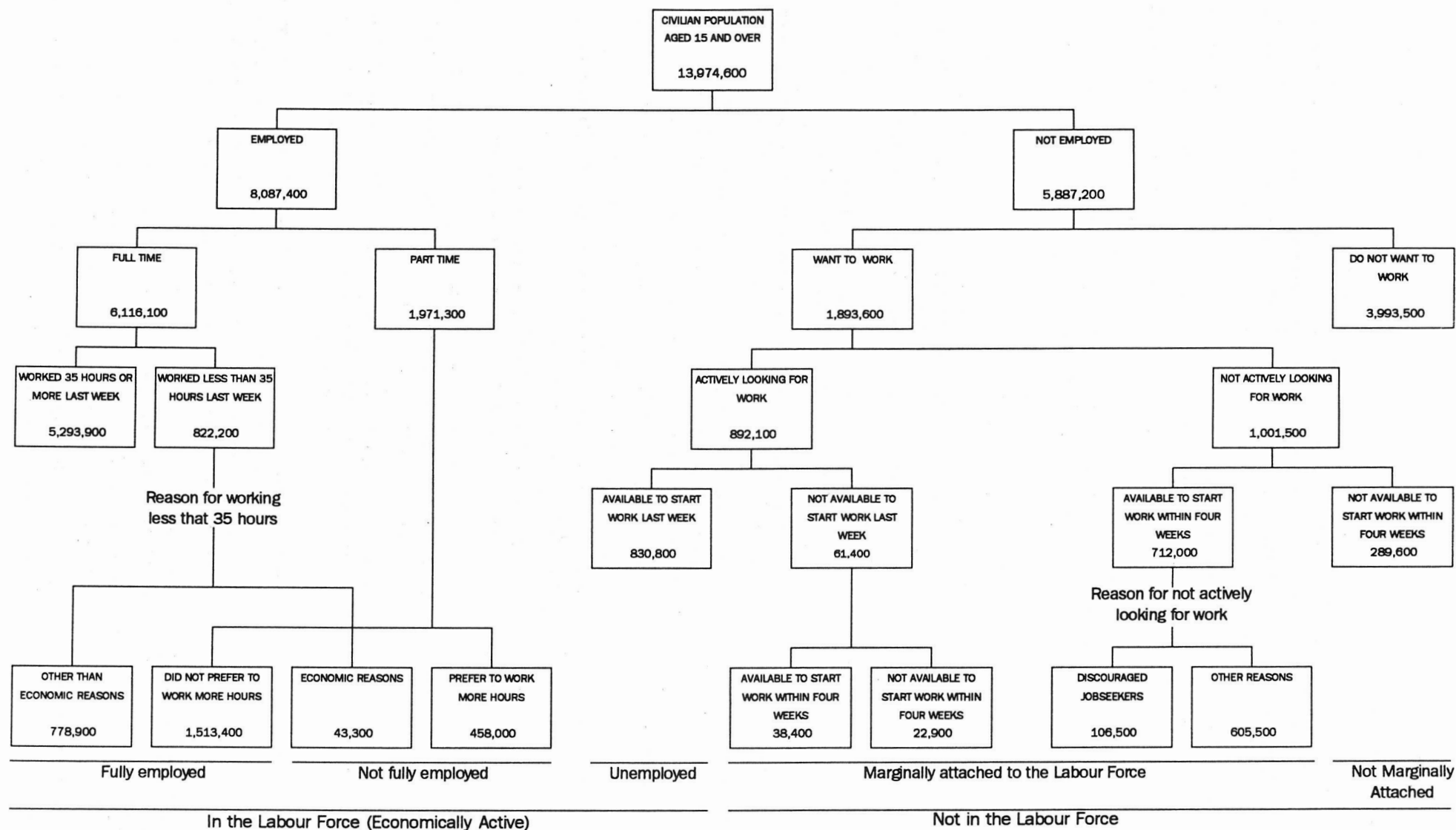
### UNEMPLOYMENT RATE

For any group of people, the number unemployed expressed as a percentage of the labour force (the employed plus unemployed) in the same group.

### PARTICIPATION RATE

The labour force, expressed as a proportion of the civilian population aged 15 and over, for either the whole population or a defined group.

# AUSTRALIAN LABOUR FORCE FRAMEWORK, SEPTEMBER 1994



## SOME CURRENT ISSUES

This section provides answers to a number of commonly asked questions on the meaning and measurement of employment and unemployment.

### ARE CES REGISTRATIONS A RELIABLE MEASURE OF UNEMPLOYMENT?

The Commonwealth Employment Service (CES) collects data on CES registrants who claim to be unemployed and who are awaiting placement (UAP) in full-time work. As an indicator of the number of persons not working and actively seeking employment, the CES register has a number of deficiencies. The UAP data are based on records of registrations held in CES offices. While the CES removes individuals from the register when it becomes aware that they are no longer seeking work, registrants do not always inform the CES when this is the case. Hence persons who register with the CES, and who subsequently find a job or leave the labour force but do not advise the CES, will continue to be counted for some time.

There are other important deficiencies. At times when the demand for CES services is increasing the CES is less able to keep the administrative records up to date, although some initiatives have been introduced in recent years to improve administrative procedures. Not all people seeking employment register with the CES, but the proportion who do so is, itself, a function of labour market conditions. There is no requirement for unemployed people to register with the CES, unless they are eligible for, and wish to receive Job Search Allowance (JSA) or Newstart Allowance (NSA). Many people, because of assets or income earned by partners, are not eligible for JSA/NSA and hence may not elect to register with the CES. Also, people who may have worked part-time hours, but who are looking for full-time work, may be registered with the CES. Finally, the numbers on the CES register of job seekers vary over time not just as a result of changes in labour market conditions, but also because of changes in administrative procedures and legislation.

For these reasons, most analysts accept that CES data are neither an accurate measure of the level of unemployment nor a reliable indicator of changes in unemployment. In recognition of these limitations, the Government announced in 1978 that it had decided to recognise Labour Force Survey estimates as the 'official' measure of unemployment in Australia.

### CAN UNEMPLOYMENT BE MEASURED BY NUMBERS RECEIVING JOB SEARCH, ETC. ALLOWANCES?

The Department of Social Security (DSS) compiles statistics of persons who receive special allowances paid while they are taking steps to find and/or improve their chances for employment and who require some level of income support. The schemes that relate most closely to the unemployed definition as defined by the ABS are the Job Search Allowance (for persons unemployed for less than 12 months), Newstart Allowance (for persons unemployed for 12 months or more) and Youth Training Allowance (from January 1995, for persons under 18 years of age). The number of persons on these schemes differ from ABS estimates of unemployment, because of various differences in the criteria which qualify them to belong to either group. For example, many unemployed persons as defined by the ABS may not receive an allowance because they or their spouse have sufficient means to support themselves. Conversely, many persons receiving an allowance will not be unemployed in ABS terms because, for example, their earnings from part-time employment are not sufficient to exclude them from that allowance.

## HOW ARE LABOUR MARKET PROGRAM PARTICIPANTS COUNTED?

A wide range of labour market programs is provided by the Commonwealth Government to assist the efficient functioning of the labour market, to encourage and assist individuals and industry to improve the productivity and skills of the labour force, and to improve the skills and employment prospects of people disadvantaged in the labour market. JobStart obtains employment for participants by offering wage subsidies to employers. Other programs, such as JobSkills and the Landcare and Environment Action Program (LEAP) offer training and paid work experience. SkillShare and SkillTrain are primarily training programs in which any work experience is generally unpaid.

The questionnaire used by the ABS to collect monthly labour force statistics does not contain any questions directly related to labour market programs. Such information is neither necessary nor sufficient to determine labour force status. Individual participants are counted as employed, unemployed or not in the labour force according to how they respond to questions in the survey about activity in the weeks before the interview.

Participants in programs involving a form of wages subsidy paid directly to employers are likely to regard themselves as having undertaken paid work, which would result in them being classified in the Labour Force Survey as *employed*.

For participants in programs which involve training but no subsidy, the situation is more problematical. If participants held a part-time job in the survey reference week, as well as being active in the labour market training program, then they should be counted as *employed*. If they did no paid work at all, then how they are counted will depend on how they answer the looking for work questions.

The questions ask whether the person looked for work at any time in the last four weeks. If the answer is no, then the person is classified as *not in the labour force*. If the answer is yes, the questionnaire then assesses whether the person undertook active job-search.

For the most part, labour market program participants would be expected to be registered currently with the CES. This situation of CES registration is sufficient (but not necessary) to meet the active job-search criterion. People not employed, looking for work and registered with the CES would be counted as *unemployed* if they could have started work in the week before the interview. Some would not be willing to abandon their place on the training program and therefore they would be classed as *not in the labour force*.

In January 1995, the Government introduced the Youth Training Initiative (YTI), which aims to provide intensive case management for 15 to 17 year-olds who register with the CES as unemployed. Under the YTI, young people are encouraged to take up suitable work, training or educational opportunities. For those who remain unemployed after 6 months, the YTI will provide access to a labour market or vocational training program.

It is possible that this new initiative will affect the labour force participation of the target population. Participation in a labour market program (or in education or training) may affect whether a person is classed as employed, unemployed or not in the labour force; depending upon how that person's program participation affects their responses to the Labour Force Survey questions (as explained above).



## CAN A FULL-TIME STUDENT BE EMPLOYED OR UNEMPLOYED?

The definitions of employment and unemployment are applied in exactly the same way to students as they are to all other persons aged 15 and over in the population. They recognise that many students obtain or seek employment while others do not become economically active while pursuing their studies.

A student enrolled full time at an educational institution may also be *employed* part time or full time (if he or she worked 35 hours or more in the reference week, or usually did so). Alternatively, a full-time student may be actively looking for and available to commence work, in which case he or she will be counted as *unemployed*.

In December 1994, 67.5% of students who were attending a tertiary educational institution full time were classified as in the labour force i.e. either *employed* or *unemployed*. Because of the special interest in the labour force status and participation in education of young people, ABS monthly publications contain detailed tabulations of labour force status and educational attendance of persons aged 15 to 24 years. Table 1 presents data for persons aged 15-19 years.

### 1

**LABOUR FORCE STATUS OF THE CIVILIAN POPULATION AGED 15 TO 19 DECEMBER 1994**

	<u>Employed</u>		<u>Unemployed</u>			Labour force	Not in labour force	Civilian population aged 15-19	Unemployment rate	Participation rate
	Full-time workers	Total	Looking for full-time work	Looking for part-time work	Total					
- '000 -										
- per cent -										
ATTENDING NEITHER SCHOOL NOR A TERTIARY EDUCATIONAL INSTITUTION FULL TIME										
Males	158.7	207.9	50.7	4.9	55.6	263.5	39.1	302.7	21.1	87.1
Females	93.8	172.3	46.1	7.6	53.7	226.0	51.5	277.6	23.8	81.4
Persons	252.4	380.2	96.8	12.5	109.4	489.6	90.7	580.2	22.3	84.4
ATTENDING A TERTIARY EDUCATIONAL INSTITUTION FULL TIME										
Males	7.0	30.5	* 2.4	6.3	8.7	39.2	19.1	58.3	22.1	67.3
Females	6.3	36.3	* 1.0	4.7	5.8	42.0	20.0	62.0	13.7	67.7
Persons	13.3	66.8	* 3.4	11.0	14.4	81.2	39.1	120.3	17.8	67.5
ATTENDING SCHOOL										
Males	4.3	87.3	9.3	19.6	28.9	116.2	173.1	289.3	24.9	40.2
Females	* 1.6	102.7	* 3.5	21.0	24.5	127.2	152.1	279.3	19.3	45.5
Persons	5.9	189.9	12.8	40.6	53.4	243.4	325.2	568.6	22.0	42.8
TOTAL										
Males	170.0	325.7	62.4	30.8	93.2	418.9	231.3	650.2	22.2	64.4
Females	101.6	311.2	50.7	33.3	84.0	395.2	223.7	618.9	21.3	63.9
Persons	271.6	637.0	113.1	64.1	177.2	814.2	455.0	1,269.1	21.8	64.2

\* Subject to sampling variability too high for most practical uses. See paragraph 7 of the Technical Notes in *The Labour Force, Australia* (6203.0).

## ARE PERSONS WHO UNDERTAKE UNPAID WORK COUNTED AS EMPLOYED?

In measuring labour force status, the Labour Force Survey counts as employed those who are economically active, using the concept of economic activity as defined by the System of National Accounts (SNA). For this reason, employees, employers and own-account workers are only regarded as *employed* if, during the reference week, they worked for one hour or more for pay, profit, commission or payment in kind in a job or business, or on a farm. For the same reason the SNA does not include activities such as unpaid domestic work and voluntary community services within the scope of economic production (gross domestic product), the Labour Force Survey does not count persons engaged in these activities as *employed*.

The definition of employed persons does, however, include *contributing family workers* (i.e. those who, during the reference week, worked for one hour or more *without pay* in a family business or on a farm).

Remuneration arrangements generally differ in employment situations where an unincorporated family business operates. While not receiving payment in cash, such persons will generally receive some benefit in kind. It is for this reason that contributing family workers are included in the ILO definition of employed persons: they are persons who performed some work for family gain, in cash or in kind.

The inclusion of contributing family workers does not significantly affect the total number of employed persons in Australia, but is of much greater importance in some other countries. For example, in 1992 such workers represented just over 7% of civilian employment in Japan, compared with 1% in Australia. In November 1994, the reported average hours worked by these people was 18.5 hours, with 60% of them working less than 15 hours.

*Persons who are doing unpaid work other than as contributing family workers are not regarded as employed.* Thus volunteer workers and persons on work experience placements from an educational institution, would not on that account be regarded as *employed*.

#### ARE YOU EMPLOYED IF YOU DO JUST ONE HOUR OF WORK?

The definition of employment is based on the criterion of having worked for one hour or more for pay, profit or commission, or without pay in a family business. The one-hour criterion is consistent with ILO recommendations, and serves to ensure that all persons whose employment contributes to aggregate production as defined in the SNA are counted as *employed*.

However, to ensure that the size, composition and aspirations of the part-time component of the labour force are understood, each month the ABS compiles and publishes statistics on the number of hours worked by part-time workers; whether they would prefer to work more hours; whether they had taken active steps in the previous four weeks to look for full-time work; and the average and total hours worked by part-time and full-time workers in various categories.

In December 1994, 12% of those who worked part-time hours actually worked between one and five hours per week during the reference week (with six in ten of them preferring not to work any more hours). Table 2 shows the number of part-time workers by hours worked and preference for working more hours in December 1994.

**PART-TIME WORKERS: WHETHER PREFERRED TO WORK MORE HOURS, BY HOURS WORKED,  
DECEMBER 1994 ('000)**

DECEMBER 1994 (000)

	Hours worked by persons who worked in the reference week						Persons who did not work in the reference week	Total
	1-5	6-10	11-15	16-20	21-29	30-34		
MALES								
Total	63.4	99.5	70.4	93.8	89.0	72.0	22.2	510.3
Preferred not to work more hours	32.1	53.9	37.2	53.6	54.2	49.2	13.2	293.5
Preferred to work more hours	31.3	45.6	33.1	40.2	34.8	22.9	8.9	216.8
Had actively looked for full-time work in the four weeks to the end of the reference week	16.9	28.2	17.8	20.1	19.4	9.7	* 3.3	115.4
FEMALES								
Total	162.6	261.7	200.7	268.4	317.7	193.3	62.4	1,466.8
Preferred not to work more hours	109.6	189.6	151.4	205.4	251.4	162.4	52.1	1,121.8
Preferred to work more hours	53.1	72.1	49.3	63.0	66.3	31.0	10.3	344.9
Had actively looked for full-time work in the four weeks to the end of the reference week	16.8	25.7	17.2	24.4	21.3	8.8	* 2.2	116.4
PERSONS								
Total	226.0	361.2	271.0	362.2	406.6	265.4	84.6	1,977.1
Preferred not to work more hours	141.7	243.5	188.6	259.0	305.6	211.5	65.4	1,415.3
Preferred to work more hours	84.3	117.7	82.4	103.2	101.0	53.8	19.2	561.7
Had actively looked for full-time work in the four weeks to the end of the reference week	33.7	53.9	35.0	44.5	40.7	18.6	5.4	231.8

\* Relative standard error greater than 25 per cent. See paragraph 7 of the Technical Notes in *The Labour Force, Australia* (6203.0).

## HOW MANY PEOPLE WANT TO WORK BUT DON'T GET COUNTED AS UNEMPLOYED?

Persons who are neither employed nor unemployed but want to work and are either seeking work or are available to start work within four weeks are classified as being *marginally attached to the labour force*. See Diagram 1 (The Australian Labour Force Framework).

Each September, a survey of persons who are not in the labour force is conducted as a supplement to the monthly Labour Force Survey. The survey focusses on the degree of attachment of these people to the labour force.

In September 1994, 773,300 people classified as not in the labour force had some marginal attachment to the labour force. Of these, 61,400 (8%) were actively looking for work but were not available to start work in the reference week or within four weeks.

Some 712,000 (92%) were not actively looking for work, but were available to start work within four weeks. The most commonly reported main reasons for not actively looking for work were:

- childcare;
- attending an educational institution;
- other personal/family reasons; and
- discouraged job seekers.

Of this group that were not actively looking for work, 106,500 were discouraged job seekers. These are persons who believed the main reason they would not get a job was one of the following:

- considered to be too young or too old by employers; or
- difficulties with language or ethnic background; or
- lacked the necessary schooling, training, skills or experience; or
- no jobs in their locality or line of work; or
- no jobs available at all.

## IS THE SAMPLE TOO SMALL TO PROVIDE ACCURATE INFORMATION?

The Labour Force Survey obtains information from about 65,000 persons each month through a sample of about 30,000 private dwellings and a further sample of non-private dwellings (including hotels, and motels). The survey is designed and the sample is selected in such a way that each dwelling in a State or Territory has a pre-defined chance of selection. The probabilities of selection vary from State to State. One measure of the statistical accuracy of the estimates is the *standard error*. Each month the standard errors of labour force estimates are published with the survey estimates (see, for example, the Technical Notes in *The Labour Force, Australia* (6203.0)).

For December 1994, the estimated number of employed persons was 8,156,200. The estimated standard error in this case is 24,800 (or 0.3% of the estimate). This means that there is a 95% probability that the true number of employed persons is within the range 8,205,800 to 8,106,600 (i.e.  $8,156,200 \pm 49,600$ ). For the estimate of 807,600 unemployed persons, the standard error was 10,900 (1.3%). This means there is a 95% probability that the number of unemployed persons is within the range 829,400 to 785,800 (i.e.  $807,600 \pm 21,800$ ).

The Labour Force Survey sample is by far the largest household survey conducted by the ABS. While each month the ABS cautions users to take care with the interpretation of month-to-month movements *the ABS is confident that, taking one month with another, this survey reliably reflects labour market levels, movements and trends.*





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